Rx DRUGS SHOULD BE AFFORDABLE, NOT PRIVATIZED, UNDER MEDICARE

Since its creation in 1965, Medicare has provided over 40 million Americans with essential health benefits. On June 26 of this year, the Senate and House of Representatives each passed different legislation to provide prescription drug coverage under Medicare, marking the most significant change in the program in decades. I opposed the House bill because I believe it threatens to privatize Medicare, fails to provide an affordable and simple drug benefit to seniors, and fails to control the increasing cost of prescriptions.

I am a cosponsor of an alternative Democratic plan to provide seniors with a prescription drug benefit that is voluntary, guaranteed, available to all and provided as part of the Medicare program. Our plan would use the collective bargaining power of Medicare's 50 million beneficiaries to guarantee lower drug prices. It is simple and affordable for America's seniors.

"Employers who are doing this [providing health care benefits] are going to say, 'Now that our employees can get a government benefit, we're going to drop coverage.'"

-- Kate Sullivan, Director, Health Care Policy,
U.S. Chamber of Commerce
June 9, 2003, The Wall Street Journal

The Republican plan passed by the House raises three major concerns:

- It will not provide a guaranteed and defined drug benefit - many seniors may end up paying more than they do now.
- It opens a coverage gap for people who spend between about $2,000 and $4,900 for prescriptions each year.
- It proposes to use private drug-only plans to administer the Rx drug program, opening the door to the privatization of Medicare and to the denial of coverage to millions of seniors.

In September, I will have to vote again on a compromise Rx drug bill and I want to know your views on this imporant issue before then.

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The New York Times

Excerpts from June 27, 2003

House and Senate Pass Measures For Broad Overhaul of Medicare

By ROBIN TONER and ROBERT PEAR

WASHINGTON, Friday, June 27 — After a severe test of President Bush's influence on Capitol Hill, the Senate and the House today approved the biggest expansion of Medicare since its creation nearly four decades ago, passing legislation to provide prescription drug benefits to the elderly and give private health plans a much larger role in the program.

The House vote was 216 to 215 in a dramatic roll-call that lasted more than 40 minutes, with the ''nays'' outnumbering the ''yeas,'' until several Republicans switched their votes. Conservative Republicans joined most House Democrats in voting against the bill in a setback for the Republican leadership and for President Bush, who had lobbied intensely for the measure for months. The vote came around 2:30 a.m., shortly after the Senate cleared its version of the bill by an overwhelmingly bipartisan vote of 76 to 21...

...But the House and Senate bills differ in important ways, suggesting that it will not be easy to produce a consensus measure. The House bill, assembled almost entirely by Republicans, is more conservative than the bipartisan Senate bill.

In an effort to secure conservative support for the Medicare bill, House Republican leaders combined it, at the last minute, with a separate bill encouraging people of all ages to set up two types of tax-exempt personal savings accounts to help pay medical expenses...

...A pivotal vote in the Senate came on Thursday on an amendment that evenly split $12 billion between improvements in traditional Medicare and more incentives to spur competition among private health plans. Republicans wanted to help the private health plans. Democrats sought to strengthen traditional Medicare with more benefits like preventive services and chronic care...

...The House debate on the Medicare bill was brief, partisan and bitter. Representative Bill Thomas, Republican of California, said, ''The out-of-date Medicare program fails to provide access to affordable prescription drugs.'' Instead of providing such benefits, he said, ''Democrats would rather scare seniors and ignore their true needs.''

Representative Jim McGovern, Democrat of Massachusetts, countered, ''This bill ends Medicare as we know it and turns it into a convoluted, complicated voucher program.'' And Representative Sander M. Levin, Democrat of Michigan, denounced the bill as ''a radical effort to dismantle Medicare.''...

...Both bills carry political risks. Critics assert that the drug benefits will fall short of expectations. Moreover, they note, both bills include substantial gaps in coverage, and both would require higher copayments than workers are generally charged.

For example, in the Senate bill, beneficiaries typically pay a 50 percent copayment until their drug costs hit $4,500 in a year; at that point, coverage stops. Beneficiaries are then responsible for all drug costs until spending reaches about $5,800. At that point, Medicare picks up 90 percent of the costs.

Democrats have criticized that gap and a similar one in the House bill, seeking to close them. But the bills' sponsors argued the drug benefits were the best they could provide with the money available.

Lawmakers in both parties are also worried about the complexity of the new drug program and how the elderly will navigate it.

The House and Senate bills rely on a new, largely untested product: private stand-alone insurance policies that provide only drug coverage, to be used by people in traditional Medicare, which still serves 88 percent of Medicare's beneficiaries. Others would get drug benefits through preferred provider organizations and health maintenance organizations.

Negotiations between the House and the Senate will probably be contentious. The House bill would eventually require direct competition between traditional Medicare and private health plans, a goal many conservatives favor. That idea is anathema to Democrats, who argue that private plans would draw the healthiest and wealthiest elderly, and undermine the traditional program...

Medicare Prescription Drug Bill:
Senate Finance vs. House GOP vs. Democratic Proposal

	Senate Bill	House GOP Bill	Democratic Bill
Coverage Gap	**YES - AFFECTING 12% OF BENEFICIARIES** No coverage for drug costs from $4,500 to $5,800.	**YES - AFFECTING 47% OF BENEFICIARIES** No coverage for drug costs from $2,000 to $4,900.	**NO** There is no coverage gap.
Guaranteed Lower Drug Prices	**NO**: *Prohibits* HHS Secretary from negotiating lower drug prices. Private insurers negotiate separately on behalf of subsets of the Medicare population, diminishing group negotiating power.	**NO**: *Prohibits* HHS Secretary from negotiating lower drug prices. Private insurers negotiate separately on behalf of subsets of the Medicare population, diminishing group negotiating power.	**YES**: Uses all Medicare beneficiaries to negotiate lower drug prices. Also reduces drug prices for all Americans, by closing loopholes and expanding the availability of generic drugs.
Guaranteed Minimum Prescription Drug Benefit	**NO**: Beneficiaries are forced to use private insurance companies for drug coverage, rather than Medicare. Although the benefit offered by private insurers has to be "actuarially equivalent" to a "benchmark," benefit and premiums will vary widely.	**NO**: Beneficiaries are forced to use private insurance companies for drug coverage. Although the benefit offered by private insurers has to be "actuarially equivalent" to a "benchmark," benefit and premiums will vary widely.	**YES**: Medicare covers prescription drugs like other Medicare benefits, with guaranteed benefits, premiums, and cost sharing for all beneficiaries who wish to participate.
Begins to Privatize Medicare	**NO**: While HMOs and PPOs are encouraged to compete with each other, traditional fee-for-service Medicare remains.	**YES**: Traditional Medicare program is chopped into 10 or more regional plans in 2006 and then ends as a defined benefit program in 2010.	**NO**: Does not privatize Medicare.
Guaranteed Monthly Premium & Deductible	**NO Guarantee**: Private insurance companies will set premiums; $275/year deductible	**NO Guarantee**: Private insurance companies will set premiums; $250/year deductible.	**BOTH Guaranteed**: Specified in statute. $25/month premium; $100/year deductible.
Catastrophic Coverage	**NONE** Beneficiary has to continue paying 10% copayment once the coverage gap stops at $5,800.	**WEAK** When drug costs exceed $4,900, 100% of drug costs are covered (except for higher-income beneficiaries).	**STRONG** When out-of-pocket costs exceed $2,000, 100% of drug costs are covered.
Coverage for Prescribed Medicines	**LIMITED** Private drug insurers can deny coverage for drugs not in their "formulary."	**LIMITED** Private drug insurers can deny coverage for drugs not in their "formulary."	**YES** Medicare beneficiaries have coverage for all drugs prescribed by their doctor.
Lower-Income Protections	**WEAK** Eliminates Medicare coverage for low-income seniors below 74% of poverty. Gives significant subsidies up to 160% of poverty.	**WEAK** Imposes assets test that may disqualify up to 40% of otherwise low-income beneficiaries. Gives significant subsidies up to only 135% of poverty.	**STRONG** No assets test. No cost sharing or premiums up to 150% of poverty; sliding scale premiums between 150% and 175% of poverty.

Source: Office of Democratic Leader Nancy Pelosi

GOP Rx Drug plan: Complicated and Costly
Can you calculate your Rx drug costs?

❶ _____
(Total yearly drug costs)

(yearly = monthly costs x 12)

Enter your **total yearly drug costs** on line ❶.

Are your total yearly drug costs over $4,900?

Yes

Senior's Gap. Enter $2,900 for costs you will have to cover yourself on line ❷.

No

❷ _____
(Gap in coverage that seniors must cover themselves)

Are your total yearly drug costs between $2,001 and $4,900?

Yes

Calculate **Senior's Gap**: subtract $2,000 from your total yearly drug costs. Enter result on line ❷.

Yearly **deductible** is $250. Enter $250 on line ❸.

No

Costs are less than $2000. Enter 0 on line on line ❷.

If total yearly drug costs are less than $250 enter 0 on line ❸, else your yearly **deductible** is $250. Enter $250 on line ❸.

❸ _____
(Deductible)

Co-pay (Part One) Subtract $250 from $2,000. Enter result on line ④.

④ _____

Co-pay (Part One) Subtract $250 from total yearly drug costs Enter result on line ④.

❺ _____
(Copay)

Co-pay (Part Two) Multiply line ④ by 0.2 Enter result on line ❺.

GOP estimates **yearly premium** as $35/m = $420/y. Enter $420 on line ❻.

❻ _____
(Yearly premium)

Add ❷+❸+❺+❻ Enter total on line ❼. This is amount you will have to pay under GOP plan.

❼ _____
(YOUR TOTAL COSTS)

***TIP**: To calculate percentage of costs **you** will have to cover:*

Divide line ❼ by line ❶ and multiply the result by 100.

NOTE: Seniors with retirement income greater than $60,000 will pay slightly more. Seniors with retirement income below $12,120 (135 percent poverty) wouldn't have to pay the annual premium or most of the co-pay..

House Democratic Rx Drug Plan: Simple and Affordable

Real, guaranteed, defined benefits – and no gaps or gimmicks

Premium:	$25 a month

Deductible:	$100 a year

Co-insurance:	
	Medicare pays 80%
	beneficiaries pay 20%

Out-of-pocket limit:
$2,000 per beneficiary per year

House GOP Rx Drug Plan
Forbids Medicare from Negotiating Lower Prices

Medicare and the Department of Health should be allowed to combine the power of 40 million Medicare beneficiaries to negotiate lower prices on prescription drugs. The Veterans Administration group purchasing model has been successful in lowering prices, yet the House GOP plan *forbids* Medicare from adopting that model. Consider the difference if negotiated pricing were allowed:

If you spend **$230.48** each month on **blood pressure**, **cholesterol**, and **diabetes** medications:

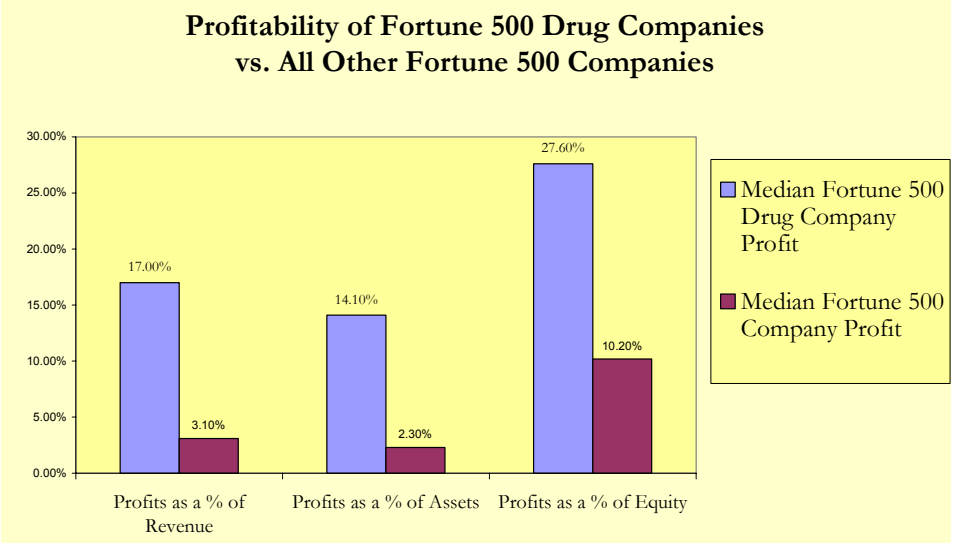
Symptom	**Drug Name**	**U.S. Cost** *(per month)*	**VA Group Purchasing** *(per month)*
Blood pressure	Zaroxolyn	$30.50	$8.66
Cholesterol	Zocor	$129.99	$12.80
Diabetes	Glucophage	$69.99	$3.58*
Total Monthly Cost to Seniors:		**GOP Plan** **$148.81**	**VA Group Purchasing** **$25.04**

**VA uses cheaper medically equivalent generic diabetes drug:* metformin

If you spend **$90.99** each month on **arthritis** medications:

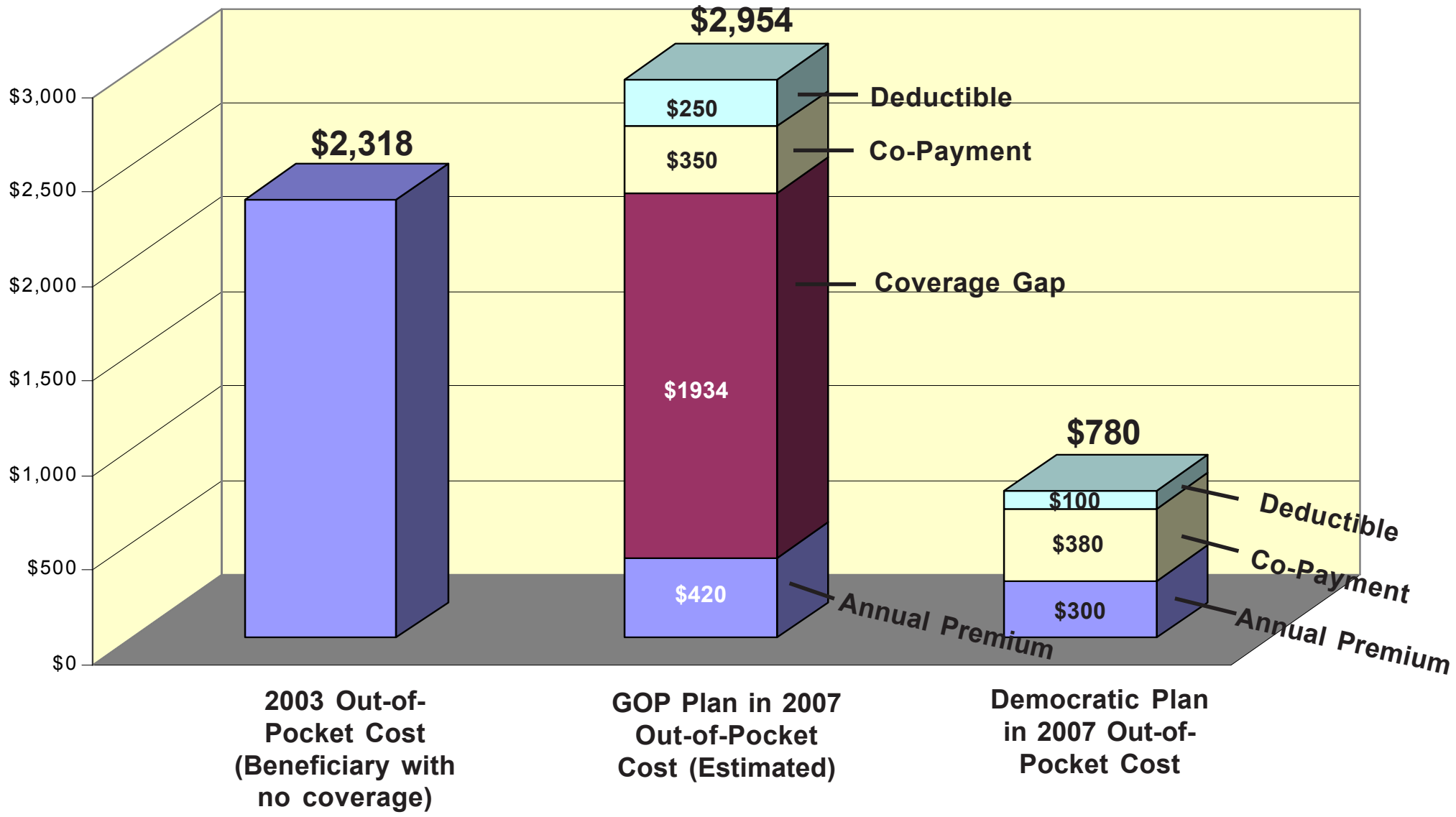
Symptom	**Drug Name**	**U.S. Cost** *(per month)*	**VA Group Purchasing** *(per month)*
Arthritis	Vioxx	$90.99	$39.57
Total Monthly Cost to Seniors:		**GOP Plan** **$69.87**	**VA Group Purchasing** **$39.57**

Drug companies have made great strides in providing crucial treatments – and even cures – for Americans suffering from many illnesses. The industry's successes have also led to extraordinary profits. But company profit margins should not dictate whether seniors are insured for prescription drugs. **The Democratic plan uses the collective bargaining power of Medicare's 40 million beneficiaries to guarantee lower drug prices.**



Source: Alliance for Retired Americans

Democratic Rx Plan:
Affordable Relief for Seniors



From a letter to Congress, July 14, 2003
from Executive Director and CEO of **AARP**, William Novelli:

"The House bill establishes a new competitive structure that would require traditional Medicare to compete against private plans without the flexibility that private plans have to control costs. The Senate bill does not include this provision.

"Starting in 2010, fee-for-service premiums would no longer be based solely on Part B spending. The Medicare Part B premium would be adjusted in a region based on the average of all Medicare spending –fee-for-service and private plan bids – in that region. If traditional Medicare costs more than the average of all plan costs, then the Park B premium will be increased to make up the difference.

"This will lead to an inherently unfair system: Medicare+Choice experience strongly suggests that private plans will enroll younger and healthier beneficiaries, leaving older and sicker individuals to drive up traditional Medicare spending rates. In addition, private plans could undercut bids in some years, eating short-term losses in order to increase market share, and then raise rates in later years to make up the difference. The fee-for-service Medicare program cannot do that, as its costs are largely determined by statutory coverage policies, payment formulas, and utilization rates that are controlled by physicians.

"The result would inevitably be higher costs for those who want to stay in the traditional program. In fact, the CMS actuary estimates that this could increase fee-for-service premiums by up to 25 percent.

"AARP opposes a premium support structure, such as in the House bill, that could destabilize the Medicare program and require beneficiaries to pay even more out-of-pocket. Despite the phase-in, the model in the House bill does not create a level playing field and in fact will penalize those who choose to remain in traditional Medicare. We believe that the proposed system could actually limit beneficiary choice by making the traditional program unaffordable for those who tend to be sicker, and for those who do not choose to enroll in a private plan. Even with the best risk adjustment available today, the premium support proposal in the House bill would likely harm traditional Medicare and those who depend on it. Any final conference agreement that retains this provision will not be in the best interests of Medicare beneficiaries or the program.

"The House bill would – for the first time in the program's history – vary the Medicare benefit based on income. Specifically, the level of the prescription drug catastrophic cap would be higher for those with incomes above a specific threshold. The Senate bill does not include such a provision. The argument that beneficiaries with higher incomes can afford to pay more for their benefits fails to recognize that individuals with higher incomes have already paid more through higher Medicare payroll taxes during their working lives – and many continue to contribute to Medicare through general tax revenues. Further, no insurance plan for individuals under the age of 65 – including plans for Members of Congress – varies benefits by income. The House bill, by reducing benefits for those with higher incomes, would create a disincentive for higher income beneficiaries to enroll in the program, further weakening the risk pool."